

Senate Bill No. 499

CHAPTER 802

An act to amend Sections 22360 and 22802 of, to amend and repeal Sections 22123 and 24600 of, and to repeal Section 22139 of, the Education Code, relating to the State Teachers' Retirement System, and making an appropriation therefor.

[Approved by Governor October 12, 2001. Filed
with Secretary of State October 13, 2001.]

LEGISLATIVE COUNSEL'S DIGEST

SB 499, Soto. State Teachers' Retirement System.

The Teachers' Retirement Law provides that, prior to January 1, 2002, dependent, unmarried children of members of the Defined Benefit Program of the State Teachers' Retirement Plan are eligible for disability and family benefits if they are under 22 years of age on the date of the member's disability or death; however, on and after January 1, 2002, dependent, unmarried children of those members are eligible for those benefits only if they are under 18 years of age or under 22 years of age and full-time students, as defined, on the date of the member's disability or death.

This bill would instead provide that, on and after January 1, 2002, dependent, unmarried children of those members shall continue to be eligible for disability and family benefits if they are under 22 years of age on the date of the member's disability or death. The bill would also make technical changes to that provision.

Existing law, known as the Dave Elder State Teachers' Retirement System Home Loan Program Act, establishes a member home loan financing program and specifies that the maximum amount of any loan under that program shall not exceed \$350,000.

This bill would provide, instead, that the maximum amount of any loan under the program may not exceed 200% of the conforming loan limit set by either the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, as specified.

Under the existing Teachers' Retirement Law, members of the Defined Benefit Program of the State Teachers' Retirement Plan may elect to receive service credit for time spent in certain types of service or activities that would not otherwise be creditable.

This bill would authorize those members to elect to receive service credit for time spent in a position subject to coverage by the Cash



Balance Benefit Program of the State Teachers' Retirement Plan, subject to specified conditions.

The bill would appropriate \$1,000,000 from the Teachers' Retirement Fund to the Teachers' Retirement Board for the administrative costs of implementing benefit changes, as specified.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 22123 of the Education Code, as added by Section 9 of Chapter 1165 of the Statutes of 1996, is amended to read:

22123. (a) "Dependent child" or "dependent children" under the disability allowance and family allowance programs means a member's unmarried offspring or stepchild who is not older than 22 years of age and who is financially dependent upon the member on the effective date of the member's disability allowance or the date of the member's death.

(b) "Offspring" shall include the member's child who is born within the 10-month period commencing on the earlier of the member's disability allowance effective date or the date of the member's death.

(c) "Offspring" shall include a child adopted by the member.

(d) "Dependent child" shall not include the member's offspring or stepchild who is adopted by a person other than the member's spouse.

(e) "Dependent child" under the family allowance program shall not include:

(1) The member's offspring or stepchild who was financially dependent on the member on the date of the member's death if a disability allowance was payable to the member prior to his or her death and the disability allowance did not include an amount payable for that offspring or stepchild.

(2) A stepchild or adopted child acquired subsequent to the death of the member.

(f) "Financially dependent" for purposes of this section means that at least one-half of the child's support was being provided by the member on the member's disability allowance effective date or the date of the member's death. The system may require that income tax records or other data be submitted to substantiate the child's financial dependence. In the absence of substantiating documentation, the system may determine that the child was not dependent on the effective date of the member's disability allowance or the date of the member's death.

(g) "Member" as used in this section shall have the same meaning specified in Section 23800.

SEC. 2. Section 22123 of the Education Code, as added by Section 9.5 of Chapter 1165 of the Statutes of 1996, is repealed.



SEC. 3. Section 22139 of the Education Code, as added by Section 12.5 of Chapter 1165 of the Statutes of 1996, is repealed.

SEC. 4. Section 22360 of the Education Code is amended to read:

22360. (a) Notwithstanding any other provision of law, the board may pursuant to Section 22203 and in conformance with its fiduciary duty set forth in Section 22250, enter into correspondent agreements with private lending institutions in this state to utilize the retirement fund to invest in residential mortgages, including assisting borrowers, through financing, to obtain homes in this state.

(b) The program shall, among other things, provide:

(1) That home loans be made available to borrowers for the purchase of single-family dwellings, two-family dwellings, three-family dwellings, four-family dwellings, single-family cooperative apartments, and single-family condominiums.

(2) That the recipients of the loans occupy the homes as their principal residences in accordance with policies established by the board.

(3) That the home loans shall be available only for the purchase or refinance of homes in this state.

(4) That the amount and length of the loans shall be pursuant to a schedule periodically established by the board that shall provide a loan of up to 100 percent of the appraised value. In no event shall the loan amount exceed 200 percent of the conforming loan limit set by the Federal National Mortgage Association (FNMA) or 200 percent of the conforming loan limit set by the Federal Home Loan Mortgage Corporation (FHLMC), whichever is greater. The portion of any loan exceeding 80 percent of value shall be insured by an admitted mortgage guaranty insurer conforming to Chapter 2A (commencing with Section 12640.01) of Part 6 of Division 2 of the Insurance Code, in an amount so that the unguaranteed portion of the loan does not exceed 75 percent of the market value of the property together with improvements thereon.

(5) That there may be prepayment penalties assessed on the loans in accordance with policies established by the board.

(6) That the criteria and terms for its loans shall be consistent with the financial integrity of the program and the sound investment of the retirement fund.

(7) Any other terms and conditions as the board shall deem appropriate.

(c) It is the intent of the Legislature that the provisions of this section be used to establish an investment program for residential mortgages, including assisting borrowers in purchasing homes in this state, or refinancing a mortgage loan. The Legislature intends that home loans made pursuant to this section shall be secured primarily by the property



purchased or refinanced and shall not exceed the appraised value of that property.

(d) Appropriate administrative costs of implementing this section and Section 22360.5 shall be paid by the participating borrowers. Those costs may be included in the loan amount.

(e) Appropriate interest rates shall be periodically reviewed and adjusted to provide loans to borrowers consistent with the financial integrity of the home loan program and the sound and prudent investment of the retirement fund. Under no circumstances, however, shall the interest rates offered to borrowers be below current market rate.

(f) The board shall administer this section and Section 22360.5 under other terms and conditions it deems appropriate and in keeping with the investment standard. The board may adopt policies as necessary for its administration of this section and Section 22360.5 and to assure compliance with applicable state and federal laws.

(g) This section and Section 22360.5 shall be known as, and may be cited as, the Dave Elder State Teachers' Retirement System Home Loan Program Act.

SEC. 5. Section 22802 of the Education Code is amended to read:

22802. (a) A member who was previously excluded from membership in the Defined Benefit Program may elect to receive credit for:

(1) Service as a substitute excluded under Section 22602.

(2) Creditable service subject to coverage under the Cash Balance Benefit Program, excluding service credited pursuant to Section 26402, if the member has terminated all service subject to coverage under the Cash Balance Benefit Program. Upon electing to receive credit under this paragraph, the member shall cease to be eligible for a benefit for the same service or time previously credited under the Cash Balance Benefit Program pursuant to Part 14 (commencing with Section 26000).

(3) Service performed on a part-time basis excluded under Section 22601.5 or Section 22604, other than service credited under paragraph (2).

(4) Adult education service excluded under Section 22603, as it read on December 31, 1995.

(5) Service as a school nurse excluded under Section 22606, as it read on December 31, 1995.

(6) Service performed in a position prior to the date the position was made subject to coverage under the Defined Benefit Program.

(7) Service subject to coverage under the Defined Benefit Program performed while a member of another California public retirement system, provided the member has ceased to be a member of, and has ceased to be entitled to benefits from, the other retirement system. The



member shall not receive credit for the service if the member may redeposit withdrawn contributions and subsequently be eligible for any benefits based upon the same service or based upon other full-time service performed during the same period, from another California public retirement system.

(b) A member who elects to receive credit under this part for service performed while excluded from membership under the Defined Benefit Program shall pay all of the required contributions for all or the portion of that service for which the member elects to receive credit.

(c) A member may not elect to receive credit for service or time described in paragraphs (1) and (3) to (7), inclusive, of subdivision (a) if, after the election, the member would continue to receive credit for the same service or time in the Cash Balance Benefit Program under Part 14 (commencing with Section 26000) or another retirement system.

SEC. 6. Section 24600 of the Education Code, as amended by Section 40 of Chapter 1021 of the Statutes of 2000, is amended to read:

24600. (a) A retirement allowance under this part begins to accrue on the effective date of the member's retirement and ceases on the earlier of the day of the member's death or the day on which the retirement allowance is terminated for a reason other than the member's death.

(b) A retirement allowance payable to an option beneficiary under this part begins to accrue on the day following the day of the retired member's death and ceases on the day of the option beneficiary's death.

(c) A disability allowance under this part begins to accrue on the effective date of the member's disability allowance and ceases on the earlier of the day of the member's death or the day on which the disability allowance is terminated for a reason other than the member's death.

(d) A family allowance under this part begins to accrue on the day following the day of the member's death and ceases on the day of the event that terminates eligibility for the allowance.

(e) A survivor benefit allowance payable to a surviving spouse under this part pursuant to Chapter 23 (commencing with Section 23850) begins to accrue on the day the member would have attained 60 years of age or on the day following the day of the member's death, as elected by the surviving spouse, and ceases on the day of the surviving spouse's death.

(f) A child's portion of an allowance under this part begins to accrue on the effective date of that allowance and ceases on the earlier of either the termination of the child's eligibility or the termination of the allowance.

(g) Supplemental payments issued under this part pursuant to Sections 24411, 24412, and 24415 to retired members, disabled members, and beneficiaries shall begin to accrue pursuant to Sections



24411, 24412, and 24415 and shall cease to accrue as of the termination dates specified in subdivisions (a) to (f), inclusive, of this section.

(h) Notwithstanding any other provision of this part or other law, distributions payable under the plan with respect to the Defined Benefit Program and the Defined Benefit Supplement Program shall be made in accordance with applicable provisions of the Internal Revenue Code of 1986, as amended, and related regulations. The required beginning date of benefit payments that represent the entire interest of the member in the plan with respect to the Defined Benefit Program and the Defined Benefit Supplement Program shall be either:

(1) In the case of a refund of contributions, as described in Chapter 18 (commencing with Section 23100) of this part and distribution of an amount equal to the balance of credits in a member's Defined Benefit Supplement account, as described in Chapter 38 (commencing with Section 25000) of this part, not later than April 1 of the calendar year following the later of the calendar year in which the member attains age 70¹/₂ years of age or the calendar year in which the member terminates employment within the meaning of subdivision (i).

(2) In the case of a retirement allowance, as defined in Section 22166, not later than April 1 of the calendar year following the later of (A) the calendar year in which the member attains 70¹/₂ years of age or (B) the calendar year in which the member terminates employment within the meaning of subdivision (i), to continue over the life of the member or the lives of the member and the member's option beneficiary, or over the life expectancy of the member or the life expectancy of the member and the member's option beneficiary.

(i) For purposes of subdivision (h), the phrase "terminates employment" means the later of:

(1) The date the member ceases to perform creditable service subject to coverage under this plan.

(2) The date the member ceases employment in a position subject to coverage under another public retirement system in this state if the compensation earnable while a member of the other system may be considered in the determination of final compensation pursuant to Section 22134, 22135, or 22136.

SEC. 7. Section 24600 of the Education Code, as added by Section 42 of Chapter 1021 of the Statutes of 2000, is repealed.

SEC. 8. There is hereby appropriated the sum of one million dollars (\$1,000,000) from the Teachers' Retirement Fund to the Teachers' Retirement Board for the payment of administrative costs of



implementing benefit changes that shall become operative on or after January 1, 2002.

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